Abstract

This document summarizes functional needs of operations that can be conducted on issued credit guarantee under Standup India scheme. These operations involve - searching & viewing a CG, marking or unmarking a CG for NPA, marking the CG as Lapses & releasing the ‘Lapse’ status and Closing a CG.   
Intention is to collate & track functional specifications of underlying business processes for Mudra loan guarantee business and provide a firm base for further interpretations of software requirements & specifications.

Business Requirement Document

Credit Guarantee Operations for Standup India Loan Scheme

**Document Version History**

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| --- | --- | --- | --- |
| Version No. | Remarks | Date | Author |
| 1.0 | Baseline | 18-April-2017 | Sachin Patange |
| 2.0 | Include Refund and Recovery Operations – Review Comments from NCGTC | 31-Mar-2018 | Sachin |

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**Glossary**

Glossary of Important Terms used in this document.

|  |  |  |
| --- | --- | --- |
| S. No. | Term | Description |
| 1 | BATCHDAN | Batch Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for demand of CG Fees for batch of loan records which MLI needs to pay to avail the CG cover. |
| 2 | CG | Credit Guarantee |
| 3 | CGDAN | Credit Guarantee Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for each loan record demand of CG Fees which MLI needs to pay to avail the CG cover. |
| 4 | CGPAN | Credit Guarantee Permanent Account Number – a Unique Credit Guarantee Number generated by NCGTC processing system while issuing the Credit Guarantee. |
| 5 | DDMMYYYY | DD- Date; MM-Month; YYYY-Year (4 digit) |
| 6 | FY | Financial Year |
| 7 | IFSC | An Indian Financial System Code - an alphanumeric code that uniquely identifies a bank-branch. |
| 8 | MLI | Member Leading Institute. These will be Banks, Factors, and Para- Banks etc. Institutes predominantly in business of Money Lending’s. |
| 9 | NPA | Non-Performing Asset |
| 10 | NCGTC | National Credit Guarantee Trustee Company Ltd |
| 11 | SURGE | Software System Developed and Commissioned by NCGTC for Managing Credit Guarantee Business Process.  *SURGE – System for Underwriting, Reassurance & Guarantee Endorsement* |
| 12 | XML | Extensible Markup Language (**XML**) is a markup language that defines a set of rules for encoding documents in a format which is both human-readable and machine-readable. It is defined by the W3C's XML 1.0 Specification and by several other related specifications, all of which are free open standards. |
| 13 | PAN | Permanent Account Number (PAN) is a code that acts as an identification for Indian nationals, especially those who pay Income Tax. It is a unique, 10-character alpha-numeric identifier, issued to all judicial entities identifiable under the Indian Income Tax Act, 1961. |
| 14 | A/c | Account or Account No. – a common written abbreviation for account in context of Banking/Financials |

## **Introduction**

SURGE allows further operational features to MLI as well as to NCGTC users – thereby facilitating them to operate on the issued CG.

Below is the classification of the operations as per the SURGE stakeholders and as per the mode/channel (Batch/Real-time):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| S. No. | | Name of the Operation | Performed By | | | Mode | Frequency |
| **NCGTC** | **MLI User** | **System** |
| 1 | | Ops 1 - Search and View a CG | √ | √ | - | R | Anytime |
| 2 | | Ops 2 – Update CG | - | √ | - | R | Anytime |
| 3 | | Ops 3 – Update NPA/Closure Status | - | √ | - | B | Separate batch (apart from ‘continuity’ batch) every quarter |
| 4 | | Ops 4 - Close CG | √ | - | - | R | Anytime |
| 5 | | Ops 5 – Levy Penalty on MLI | √ | - | - | R | Anytime |
| 6 | | Ops 6 - Release Lapse | √ | - | - | R | Anytime |
| 7 | Ops 7 – Refund (Manual) | | √ | - | - | R | Anytime |
| 8 | Ops 8 – Recovery (Manual) | | √ | - | - | R | Anytime |

Apart from above classification of the operations, this scheme has the following classification for new and continuity CG issuance:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| S. No. | Name of the Operation | Performed By | | | Mode | Frequency |
| **NCGTC** | **MLI User** | **System** |
| 1 | New CG Request | - | √ | - | B | Every Quarter |
| 2 | Continuity CG Request | - | √ | - | B | Once Every Year |

*(Note: since the default frequency of taking inputs for continuity request is annual, hence there is a need for separate input file taking inputs of NPA and Closure status of CG)*

## **Ops 1 - Search & View a CG**

Whilst all MLI’s secure CG from NCGTC, there will always be a need to know the current status of a particular CG and further perform specific permitted operations on it. SEARCH and VIEW operations is for this purpose.

### **By NCGTC User**

### **Search Criteria**

NCGTC User is able to search a particular CG in SURGE system based on following search parameters:

1. MLI (Mandatory)
2. Scheme (Mandatory)
3. Loan Account No. (Optional)
4. CGPAN (Optional)

The usage of the above criteria will be as below:

1. Parameter 1 and 2 are mandatory
2. Either of parameter 3 or 4 is mandatory

### **Rendering CG Details**

The result of the above search criteria (if any) is displayed in the grid on the screen of the user – on which further filtering can be done.

The grid columns displayed are:

1. MLI Loan Account No.
2. Customer ID
3. Portfolio ID
4. Agreement ID
5. CGPAN
6. Status

Note:

* The status column in the grid provides the information of latest CG status available for the respective CG
* End Date column in the grid provides the information of the last Issued CG’s End Date.

User can further select a single record from the search result for detailed view of the CG using ‘View Details’. Following details are provided to the user:

* The main ‘Master’ record details – this section provides information provided by MLI at the time of New CG Request.

There is a possibility that the selected CG (or CGPAN) has only the master information and NO transactional information (since no transaction exists).

* The ‘Transaction’ record details – subsequently if the user or system does any transaction on the issued CG (or CGPAN), the details of these will be rendered here. There may exist a zero or single or multiple transaction records for an associated CGPAN.

The transactional records are rendered chronologically (in order of new to old) based on date of creation of the respective transaction in the CG database.

All the details of the selected CG are available in ‘view’ only mode.

### **Save & Print CG Details**

SURGE allows NCGTC users to save and print selected CG details. Save allows user to save selected CG in Acrobat PDF format.

### **By MLI User**

### **Search Criteria**

MLI User is able to search a particular CG in SURGE system based on following search parameters:

1. MLI (default)
2. Scheme (default)
3. Loan Account No. (Optional)
4. CGPAN (Optional)

The usage of the above criteria will be as below:

1. Parameter 1 and 2 are mandatory
2. Either of parameter 3 or 4 is mandatory

### **Rendering CG Details**

The result of the above search criteria (if any) is displayed in the grid on the screen of the user – on which further filtering can be done.

The grid columns displayed are:

1. MLI Loan Account No.
2. Customer ID
3. Portfolio ID
4. Agreement ID
5. CGPAN
6. Status

Note:

* The status column in the grid provides the information of latest CG status available for the respective CG
* End Date column in the grid provides the information of the last Issued CG’s End Date.

User can further select a single record from the search result for detailed view of the CG using ‘View Details’. Following details are provided to the user:

* The main ‘Master’ record details – this section provides information provided by MLI at the time of New CG Request.

There is a possibility that the selected CG (or CGPAN) has only the master information and NO transactional information (since no transaction exists).

* The ‘Transaction’ record details – subsequently if the user or system does any transaction on the issued CG (or CGPAN), the details of these will be rendered here. There may exist a zero or single or multiple transaction records for an associated CGPAN.

The transactional records are rendered chronologically (in order of new to old) based on date of creation of the respective transaction in the CG database.

All the details of the selected CG are available in ‘view’ only mode.

### **Save & Print CG Details**

SURGE allows MLI users to save and print selected CG details. Save allows user to save selected CG in Acrobat PDF format.

## **Ops 2 – Update CG**

MLI user can update following fields of a CG:

* IFSC Code
* Units PAN No.
* Udyog Adhaar No.

The above updates can be made to a CG in a Real-time option, where the user will first have to search and select a particular CG and then proceed to update these details. Only one CG can be updated at a given time.

Updating a transaction will have approver workflow.

### **Business Rule for CG Update**

* Rule to Fetch Records for Update:

MLI user will need to first Search the CG which needs closure. The search facility is similar as explained in section 1.2.2

The search criteria along with the below condition of CG Current Status will provide the results of CG’s which can be UPDATED:

* 30010
* 30020
* User can update these fields:
* IFSC Code
* Units Pan No.
* Udyog Adhaar No.

All the above fields can be updated together at one time or one at a time. (i.e. providing the values in at least one of the fields is mandatory)

* Field Level Validation Rule’s:
* For IFSC Code:

Following character set is permitted:

* + a-z
  + A-Z
  + 0-9
* For Units Pan No.:

Following character set is permitted:

* + a-z
  + A-Z
  + 0-9
* For Udyog Adhaar No.:

Following character set is permitted:

* + 0-9

### **Persisting an Update Transaction**

On Approval from MLI Approver, SURGE inserts a closure transaction with following values:

* File Type – 0 (which indicates that this is an online transaction)
* Transaction Mode – 120002 (which indicates that this is an online transaction but for Updates only)
* IFSC Code – Provided by MLI User
* Units PAN No. - Provided by MLI User
* Udyog Adhaar No. - Provided by MLI User
* Loan A/c No. – Same as the Original Master Record
* MLI ID - Same as the Original Master Record
* Schemes Id - Same as the Original Master Record
* CG Current State – Same as the Original Master Record
* CG Previous State - Same as the Original Master Record
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – MLI user id
* Created Date – DateTime of Record insertion

*(Note: that no separate CG Current Status code is considered for this transaction type. This type of transaction will be differentiated on basis of Transaction Mode only.)*

## **Ops 3 – Update NPA/Closure Status**

MLI user can mark the CG of the associated loan account as NPA or Standard or Close. This operation is available as a Batch option where MLI will first need to extract the information for the requisite loan accounts CG’s from his IT system and provide the same as XML file. Refer the BRD ‘BRD - Standup Loan - Batch Update Credit Guarantees’ for more details on this operation.

## **Ops 4 – Close CG**

Closing a CG is a terminal and will not allow any further operations on it. There is NO option to remove the closed status of the CG.

Closure of CG for NCGTC user is available as Real-time option, where the user will first have to search and select a particular CG and then proceed to close it. NCGTC user can further close a single CG at a given time.

Closing transaction will have approver workflow.

### **Business Rule for CG Closure**

* Rule to Fetch Records for Closure:

NCGTC user will need to first Search the CG which needs closure. The search facility is similar as explained in section 1.2.1.

The search criteria along with the below condition of CG Current Status will provide the results of CG’s which can be CLOSED:

* 30010
* 30020
* Date of Closure:

User will not have an option to select the date of closure, rather, it will be the current system date – on which user is performing the closure action, is treated as the closure date.

### **Persisting a Closure Transaction**

On Approval from NCGTC Approver, SURGE inserts a closure transaction with following values:

* File Type – 0 (which indicates that this is an online transaction)
* Transaction Mode – 120003 (which indicates that this is an online close by NCGTC user)
* IFSC Code – Same as the Original Master Record
* Loan A/c No. – Same as the Original Master Record
* Loan Closed Flag – ‘Y’
* Date of Loan Closure – Current System Date
* Reason of Closure – Reason Entered by NCGTC User on the Screen
* MLI ID - Same as the Original Master Record
* Schemes Id - Same as the Original Master Record
* CG Current State – *Refer Below Matrix*
* CG Previous State - *Refer Below Matrix*
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion

|  |  |  |
| --- | --- | --- |
| S. No. | Latest Records CG state | Current Records CG State |
| 1 | Current State – 30010 | Current State – 30018  Previous State – 30010 |
| 2 | Current State – 30020 | Current State – 30018  Previous State – 30020 |

## **Regularizing Lapse CGs – Applying Penalties/Not to Apply Penalties/Lapsing CGs**

In situations of ‘Continuing’ CG’s, that MLI does not make a payment/makes partial payment within the stipulated time for the BATCHDAN’s – then CG’s are not ‘Continued’ but, ‘Lapsed’.

For such lapsed CG’s there is a provision of either:

* Regularizing the CG’s by levying add-on penal charges
* Regularizing the CG’s but NOT levying any add-on penal charges (Discounting the Penalties)
* No action on the Lapsed CGs

The indicative flow for regularizing the CG’s with penalty is as below.

**NCGTC User Discretion to regularize Lapsed CG by paying penal charges:**

**NCGTC User Discretion to regularize Lapsed CG by paying CG Fees only and No penal charges:**

Note:

1. In case, even after the ‘Release Lapse’ for the selected CG’s – MLI fails to upload input file and/or make payment – system will mark these CG’s again as Lapse.
2. There is a possibility that once NCGTC user opens window for upload file and MLI uploads information of CG’s which are not under Lapsed consideration. In such cases, system will apply the validations specified in BRD – ‘Standup Loan - New Credit Guarantees And Continuity’

## **Ops 5 - Levy Penalty on MLI**

SURGE will provide NCGTC user the discretion of applying penal charges to a selected MLI and the scheme to which he is enrolled with NCGTC. Thus for the selected MLI and the scheme – NCGTC user can specify application of penalty or not.

**Important Note:**

1. Discretion of applying penal charges is at MLI level (and not on selected Batches of input data)
2. Discretion is to the extent of either applying penal charges or not applying penal charges.

## **Ops 6 – Release Lapse**

SURGE will provide NCGTC users with a provision to view and act on the lapsed CG’s. This provision is based on criteria to act on lapse cases.

### **View Lapsed CG’s**

It will be essential that first NCGTC user will have to view the lapsed CG’s.

System will fetch those loan accounts/CG’s whose latest Current State is 30013.

### **Release Lapsed CG’s**

Release of the lapsed CG’s is an action which NCGTC user can execute on the search result mentioned in above section. The release option is as below:

### **Persisting a Release Lapse Transaction**

On Approval from NCGTC Approver, SURGE inserts a release lapse transaction with following values for all those selected CG(s):

* File Type – 0 (which indicates that this is an online transaction)
* Transaction Mode – 120004 (which indicates that this is an online Release Lapse by NCGTC user)
* IFSC Code – Same as the Original Master Record
* Loan A/c No. – Same as the Original Master Record
* Reason of Lapse Release – Reason Entered by NCGTC User on the Screen
* MLI ID - Same as the Original Master Record
* Schemes Id - Same as the Original Master Record
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion
* Current CG State and Previous CG State - 30038

## **Ops 7 – Refund (Manual)**

There will be occasions in life cycle of credit guarantees, that NCGTC may need to refund monies to MLI. Thus a provision in SURGE to allow refunds and record it.

Following provisions for refund has been identified and made available in SURGE:

* Refund of Excess/Entire/Partial CG Fees and Refund of Claim to MLI but due to less claim settled
* System DOES NOT calculate refund related amounts and NCGTC user needs to provide this amount along with taxes (if any)

### **Refund Due to Any Valid Reason**

NCGTC user will first need to search the MLI and Scheme for which refund is needed and select the reason for refund – CG Fee Refund or Refund of Claim Settled.

If CG Fee Refund option is selected, system prompts the user to select the BATCHDAN against which refund is being made.

If Refund of Claim Settled option is selected, system prompts the user to select the Claim ID against which refund is being made.

Along with the above details, user needs to provides the following inputs:

* Refund Amount
* Refund of Tax
* Remarks for Refund

Here in this option:

1. NCGTC user needs to provide the amount for Refund. This value provided needs to be:
   1. Positive
   2. Greater Than Zeroes
2. If the option ‘To Refund Tax’ has been selected by the user, then, NCGTC users has to provide IGST/CGST/SGST values. The value provided needs to be:
   1. Positive
   2. Greater Than Zeroes

### **Persisting Refund Transaction**

On Approval from NCGTC Approver, system makes the transaction available to accounts department for making payment. Once payment is done by NCGTC Accountant and reconciled by NCGTC Main Accountant, system will persist it in: Refund Table

Note: Refer the BRD – Payment Mechanism for further reference for payment mechanism.

## **Ops 8 – Recovery (Manual)**

There will be occasions in life cycle of credit guarantees, when NCGTC expects add-on payments from MLI. Thus a provision in SURGE to allow recover any payments arise due to any situation.

Following provisions for recovery of fund has been identified and made available in SURGE:

* Recovery of Additional CG Fees
* System DOES NOT calculate recovery related amounts and NCGTC user needs to provide this amount along with taxes (if any)

### **Recovering Payment**

NCGTC user will first need to search the MLI and Scheme for which recovery is needed and select the reason for recovery – Recovery of Additional CG Fee.

If CG Fee Recovery option is selected, system will generate Recovery Id against which recovery is needed.

Along with the above details, user needs to provides the following inputs:

* Recovery Amount
* Recovery of Tax
* Remarks for Recovery

Here in this option:

1. NCGTC user needs to provide the amount for Recovery. This value provided needs to be:
   1. Positive
   2. Greater Than Zeroes
2. If the option ‘To Recover Tax’ has been selected by the user, then, NCGTC users has to provide IGST/CGST/SGST values. The value provided needs to be:
   1. Positive
   2. Greater Than Zeroes

### **Persisting Recovery Payment Transaction**

On Approval from NCGTC Approver, system makes the transaction available to MLI for making payment. Once payment is done by NCGTC Accountant and reconciled by NCGTC Main Accountant, system will persist it in: Recovery Table

Note: Refer the BRD – Payment Mechanism for further reference for payment mechanism.

## **Points Pending for Further Clarification**

Following points will need clarification from NCGTC:

|  |  |  |
| --- | --- | --- |
| S. No. | Point for Further Clarification | Contemplations |
| - | - | - |

On receipt of further clarification from NCGTC team, the current document will undergo revision.

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